



London Borough of Hammersmith & Fulham

CABINET

2 SEPTEMBER 2013

CAPITAL PROGRAMME OUTTURN 2012/13 – QUARTER 4 REPORT

Report of the Leader, Councillor Nicholas Botterill

Open Report

A separate report on the exempt Cabinet agenda provides commercially sensitive information on capital receipts

Classification: For Information

Key Decision: No

Wards Affected: All

Accountable Executive Director:

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1. EXECUTIVE SUMMARY

- 1.1. The accounts for 2012/13 are substantially closed and are due to be submitted to the external auditors by the statutory deadline of 30 June. Following external audit the Accounts must be signed off by Audit Committee by 30 September. The closing debt position for the General Fund as measured by the Capital Financing Requirement (CFR) for 2012/13 at quarter 4 is £78.4m.
- 1.2. In 2012/13, the actual capital expenditure (outturn) totalled £57.4 million. This is detailed in section 4.
- 1.3. As at quarter 4, the annual General Fund usable capital receipts surplus for 2012/13 is £19.6m, inclusive of £16.8m (gross) generated in 2012/13 (in quarter 3 it was £6.1m), and will be set aside to repay debt. The Decent Neighbourhoods cumulative surplus in resources for quarter 4 is £20.5m, in accordance with the HRA financial strategy £9.6m of this is set aside to repay debt as it becomes due in 2013/14.

- 1.4. The 2012/13 General Fund capital programme expenditure was £28.7m (from £52.5m at quarter 3). The decrease in the General Fund capital programme of £23.8m primarily results from the re-profiling of capital budgets into 2013/14 and future years.

The Decent Neighbourhoods programme actual expenditure was £4m from £13.7m expenditure projected at quarter 3. The decrease in the Decent Neighbourhoods programme of £9.7m is primarily due to funds reserved for buying back of properties on the West Kensington and Gibbs Green Estates not being required in the period and from changes to the timing of payments on a number of other projects.

The expenditure on the Housing capital programme (HRA) was £24.7m (from £32.2m at quarter 3).

2. RECOMMENDATIONS

- 2.1. To note the contents of this report, which complies with financial standards.

3. REASONS FOR DECISION

- 3.1. This report is for information only.

4. INTRODUCTION AND BACKGROUND

- 4.1. This report sets out the final 2012/13 capital monitoring position for the Council's debt reduction programme, the General Fund, Decent Neighbourhoods and the Housing capital programmes. This programme has been fully funded as shown in Appendix 1.
- 4.2. In 2012/13, the actual capital expenditure (outturn) totalled £57.4 million. Table 1a below summarises capital expenditure by service area:

Table 1a - Capital Expenditure by Service Area

Department	2012/13
	£m
Children's Services	14.9
Adult Social Care	1.1
Transport and Technical Services	8.2
Environment, Leisure and Residents Services	4.4
Housing Services (Housing Revenue Account only)	24.7
Decent Neighbourhoods	4.0
Total	57.4

The financing of the capital expenditure incurred in 2012/13 is summarised in table 1b below:

Table 1b - Financing of Capital Expenditure 2012/13

Capital Financing	2012/13
	£m
Capital receipts	19.9
Capital grants from central government departments	13.9
Major Repairs Reserve (MRR) / Major Repairs Allowance (MRA)	10.0
Grants and contributions from developers and from leaseholders, etc.	8.7
Capital funding from GLA bodies	3.2
Council reserves	0.6
Housing Revenue Account	0.5
Grants and contributions from non-departmental public bodies	0.5
Capital grants from the National Lottery	0.1
General Fund Revenue Account	0.02
Total	57.4

5. GENERAL FUND DEBT REDUCTION

- 5.1. The closing General Fund debt as measured by the Capital Financing Requirement (CFR) for 2012/13 at quarter 4 is **£78.4m** (in quarter 3 £91.4m), as shown in table 2 below. There is a final capital receipts position of £16.8m for 2012/13, which has reduced from quarter 3's projection by £1.5m due to asset disposal slippage into future years (details in tables 4, 5 and appendix 4 in the exempt report).

Table 2 - Movement in the Capital Financing Requirement (CFR)

	Q3	Movement	Q4
	£m	£m	Outturn £m
Opening Capital Financing Requirement (CFR)	99.8		99.8
Revenue Repayment of Debt (MRP)	(2.3)		(2.3)
Net Impact of Appropriations between General Fund and HRA		0.5	0.5
Annual (Surplus) in Capital Programme	(6.1)	(13.5)	(19.6)
Closing CFR	91.4	(13)	78.4
<i>Net Movement from £99.8m</i>	(8.4)	(13)	(21.4)

- 5.2. In accordance with the debt reduction strategy, all year-end surplus general fund receipts have been directed towards debt reduction. This maximises the revenue savings associated with debt reduction in the subsequent year. This approach is in keeping with previous years, however, attached to it is the risk that, were a number of key capital receipts currently projected in 2013/14 be deferred, there may be an 'in-year' funding shortfall in subsequent years. Such a shortfall could necessitate a temporary increase in internal borrowing and consequently the CFR. External borrowing would be unaffected.
- 5.3. Overall however it should be stressed that the four-year capital programme remains in surplus and therefore the long-term projection debt remains downwards.

6. DECENT NEIGHBOURHOODS PROGRAMME

- 6.1. Table 3 summarises the 2012/13 Decent Neighbourhoods capital programme for quarter 4 with details shown in appendix 2. The programme objectives are the regeneration of housing estates and the creation of sustainable communities. Specific housing capital receipts such as those from sales under the Limited Asset Based Void Disposals policy and HRA shops are earmarked to fund this capital programme.
- 6.2. The Decent Neighbourhoods programme actual spend was £4m (from £13.7m projected at quarter 3). There is an overall cumulative surplus in resources of £20.5m at the end of 2012/13.

Table 3 - Decent Neighbourhoods Programme

Line	Decent Neighbourhoods Summary	2012/13 Quarter 3 Revised Budget	Movement	2012/13 Quarter 4 Revised Budget	Outturn Expenditure	Appx 2 Ref
		£m	£m	£m	£m	
1	Expenditure	13.7	1.6	15.2	4	A
2	Net total resources	(31.0)	7.8	(23.2)	(19.3)	I
3 (1+2)	Annual (surplus)/deficit (approved schemes only)	(17.4)	9.4	(8.0)	(15.3)	J
4	Schemes under consideration: Forecast expenditure	2.4	(2.4)			K
5 (3+4)	Annual (Surplus)/deficit	(14.9)	6.9	(8.0)	(15.3)	L
6	Balance brought forward	(5.2)		(5.2)	(5.2)	B
7 (5+6)	Cumulative Total (Surplus)/deficit	(20.1)	6.9	(13.1)	(20.5)	M

7. GENERAL FUND PROGRAMME

- 7.1. The annual surplus in capital receipts for 2012/13 is £19.6m. In accordance with the Council's debt reduction strategy, this surplus has been fully used to repay debt.
- 7.2. The quarter 4 expenditure and resources position is summarised in table 4, with details in appendices 1, 3 and 4 (exempt report). The total capital expenditure at quarter 4 for 2012/13 is **£28.7m** compared with £52.5m forecast in quarter 3. This reduction results from the re-profiling of capital budgets into 2013/14 and future years. The total resources budget at quarter 4 for 2012/13 is **£48.3m** compared with £58.6m forecast in the previous quarter. This primarily results from a revision to the capital receipts forecast for the year with a number of key receipts (including Pallingswick House (£5.8m) and Hurlingham Yard (£2.5m)) slipping into future years.

Table 4 - General Fund Capital Programme

Line	General Fund	2012/13 Quarter 3 Revised Budget	Movement	2012/13 Quarter 4 Revised Budget	Outturn Expend iture	Appendix 3
		£m	£m	£m	£m	Ref
1	Expenditure:					
	Children's Services	27.8	(12.9)	14.9	14.9	3a
	Adult Social Care	1.3	(0.2)	1.1	1.1	3b
	Transport & Technical Services	14.2	(6.0)	8.2	8.2	3c
	Finance and Corporate Services	2.1	(2.1)			3d
	Environment, Leisure & Residents Services	7.1	(2.7)	4.4	4.4	3e
	Total	52.5	(23.8)	28.7	28.7	
	Resources:					
	General Fund Receipts	18.3	(1.5)	16.8	16.8	4
	Deferred Cost of Disposal	(0.7)		(0.7)	(0.7)	
	Transfer from Decent Neighbourhood receipts 25%*	10.2	(0.9)	9.3	9.3	2
	Transfer from Right to Buy receipts		0.6	0.6	0.6	
	Reimbursement from GF to Decent Neighbourhood pot**	(10.8)	10.8			2
2	Net capital receipts	17.1	9.0	26.0	26.0	
3	Specific or other funding	41.5	(19.2)	22.3	22.3	
4 (2+3)	Total	58.6	(10.2)	48.3	48.3	
5 (1-4)	Annual (surplus)/deficit	(6.1)	(13.5)	(19.6)	(19.6)	
	Cumulative (surplus)/deficit	(6.1)	(13.5)	(19.6)	(19.6)	

*This is per the standing decision to transfer 25% of expensive void receipts towards general fund debt reduction, however due to a change in regulation, 2012/13 is the final year in which such a transfer can be made.

**The historic reimbursement from the General Fund to the Decent Neighbourhoods Pot of £10.8m has been deferred, given the above change in regulation.

7.3. Table 5 shows the actual capital receipts received at quarter 4 with details shown in appendix 4 (exempt report).

Table 5 – General Fund Capital Receipts

Year	Quarter 3 £m	Quarter 4 Outturn £m***	Variance £m
2012/13	18.3	16.8	1.5

***£16.8m represents gross capital receipts (£16.1m + £0.7m costs of disposals)

8. HOUSING CAPITAL PROGRAMME

8.1. The Housing Revenue Account Capital Programme seeks to meet the on-going investment needs of the Council's owned and managed housing stock. It does not include specific programmes such as Earls Court or the Local Housing Company, these are included in the Decent Neighbourhoods Fund. The final year position of the Housing capital programme is summarised in Table 6. Appendix 5 provides a more detailed breakdown of the expenditure programme and resources used.

Table 6 – Summary of the 2012/13 Housing Capital Programme

	Quarter 3 Revised Budget 2012/13 £m	Quarter 4 Revised Budget 2012/13 £m	Variance £m
Expenditure	32.2	24.7	7.5
Resources	(32.2)	(24.7)	(7.5)
Forecast (Surplus) / Deficit	0	0	0

8.2. Members have previously been notified that the realisation of leasehold income is not straight-forward and there continues to be a risk that income targets will not be met. Given this risk Finance and Corporate Services are liaising with Housing and Regeneration Department to regularly review and monitor the level of leasehold contributions generated.

LOCAL GOVERNMENT ACT 2000
LIST OF BACKGROUND PAPERS USED IN PREPARING THIS REPORT

No.	Description of Background Papers	Name/Ext of holder of file/copy	Department/ Location
1.	Capital Budget Monitoring Documents	Jade Cheung ext. 3374	Finance Dept., 2 nd Floor, Town Hall Extension

LIST OF APPENDICES:

Appendix 1 - Capital Expenditure Programme 2012/13

Appendix 2 - Decent Neighbourhoods Programme (Housing & Regeneration)

Appendix 3a to 3e - General Fund: Children's Services, Adult Social Care, Transport & Technical Services, Finance and Corporate Services, Environment, Leisure and Residents Services

Appendix 4 - General Fund Capital Receipts (exempt report)

Appendix 5 - Housing Capital Programme (HRA)

Appendix 6 - The Capital Financing Requirement

Capital Budget Monitor Appendices – Quarter 4 at 31st March 2013

Capital Expenditure Programme

Appendix 1

Capital Expenditure	Month 12 Actual Expenditure 2012/13 £'000
Children's Services	14,948
Adult Social Care	1,117
Transport & Technical Services	8,205
Environment, Leisure & Residents Services	4,422
Sub-total	28,692
Housing Services (Housing Revenue Account only)	24,722
Decent Neighbourhoods	3,979
Total Capital Programme	57,393
Capital Financing	
Use of capital receipts to finance capital expenditure	19,899
Capital grants from central government departments (inc SCE(C))	13,861
Capital expenditure financed by the Major Repairs Reserve (MRR) /	9,958
Grants and contributions from private developers and from leaseholders,	8,743
Capital funding from GLA bodies	3,237
Use of LBHF reserves	553
Capital expenditure financed from the Housing Revenue Account	539
Grants and contributions from non-departmental public bodies	520
Capital grants from the National Lottery	65
Capital expenditure financed from the General Fund Revenue Account	19
Total Capital Financing	57,393

Decent Neighbourhoods Programme

Appendix 2

DECENT NEIGHBOURHOODS PROGRAMME					
Line	Schemes	Quarter 3 Revised Budget 2012/13	Movement	Quarter 4 Revised Budget 2012/13	Expenditure /(Income) to date - Q4
		£'000	£'000	£'000	£'000
	EXPENDITURE:				
	Watermeadow Court (Decanting Costs)	231		231	887
	Fulham Court (development including Childrens Centre)	1,714		1,714	112
	248 Hammersmith Grove	600		600	
	Edith Summerskill decant costs	1,690		1,690	550
	West Ken Estate/Gibbs Green				454
	HDC Hidden Homes Programme				112
	1 Mund Street				288
	HRA Debt repayments taken under pooling rules from receipts	82		82	
	Earls Court costs to signing CLSA	1,941		1,941	
	Earls Court Project Team Costs	627		627	
	Earls Court: Buying back leaseholder and freeholder properties including homeloss and disturbance	5,000		5,000	
	Earls Court: SDLT on leasehold properties (buybacks and new properties)	124		124	
	Additional costs post cabinet to signing of CLSA	99		99	
	Ongoing Earls Court project Costs	300		300	
	Earls Court OT assessments	20		20	
	Earls Court Legal Fees post CLSA (includes costs of defending challenges)	120		120	
	Earls Court Financial advice (due diligence)	25		25	
	Contributions to Local Housing Company	1,000		1,000	
	NHHT Capital Loan		1,575	1,575	1,575
	TIS contribution	94		94	
A	Total	13,667	1,575	15,242	3,978
	FORECAST RESOURCES:				
B	Brought Forward Resources	(5,161)		(5,161)	(5,161)
C	Expensive Dwellings Voids sales	(31,000)	(2,527)	(33,527)	(33,527)
	Stewarts Lodge	(2,221)		(2,221)	(2,221)
	Buy back by Notting Hill Housing Association	(600)		(600)	(969)
	Fulham Court - New Development Only	(200)		(200)	
	Costs of disposal		370	370	370
D	Other Sales	(3,021)	370	(2,651)	(2,820)
E	Earls Court	(4,230)		(4,230)	
	582 Kings Rd	(790)		(790)	(790)
	73 Moore Park Rd	(300)		(300)	(671)
	1a Seagrave Rd	(200)		(200)	
	5a Uxbridge Rd	(150)		(150)	
	53 Moore Park Rd	(50)		(50)	
	1 Moore Park Rd	(390)		(390)	(377)
F	HRA Shops	(1,880)	0	(1,880)	(1,838)
G	Total Resources (excl. b/fd & pre transfers)	(40,131)	(2,157)	(42,288)	(38,185)
(C+D+E+F)					

DECENT NEIGHBOURHOODS PROGRAMME					
Line	Schemes	Quarter 3 Revised Budget 2012/13	Movement	Quarter 4 Revised Budget 2012/13	Expenditure /(Income) to date - Q4
		£'000	£'000	£'000	£'000
	Resource Transfers				
	Reimbursement of HRA and Decent Neighbourhoods Receipts	(10,763)	10,763		
	Capital Investment for existing HRA stock	8,820		8,820	8,630
	Contributions to Jepson House	895		895	895
	25% of receipts to General Fund	10,033	(722)	9,311	9,311
	Grants to Social Landlords to improve hostels	128	(90)	38	38
H	Total Resource Transfers	9,113	9,951	19,064	18,874
I (G+H)	Net Total Resources	(31,019)	7,794	(23,225)	(19,312)
J (A+I)	Annual (surplus)/deficit (approved schemes only)	(17,352)	9,369	(7,983)	(15,334)
	SCHEMES UNDER CONSIDERATION				
	Right To Move Pilot (Float)	1,500	(1,500)		
	LHC Funding	250	(250)		
	Earls Court Contingency	699	(699)		
K	Total	2,449	(2,449)	0	0
L (J+K)	Annual (Surplus)/Deficit	(14,903)	6,920	(7,983)	(15,334)
M (B+L)	Cumulative Total (Surplus)/Deficit	(20,064)	6,920	(13,144)	(20,495)

Children's Services

Appendix 3a

CHILDREN'S SERVICES CAPITAL PROGRAMME				
Schemes	Quarter 3 Revised Budget 2012/13	Movement	Quarter 4 Revised Budget 2012/13	2012/13 Outturn Expenditure
	£'000	£'000	£'000	£'000
Lyric Theatre Development	2,504	(1,442)	1,062	1,062
Devolved Capital to Schools	610	235	845	845
Other Capital Schemes	1,112	(1,008)	104	104
Schools Organisational Strategy	22,387	(10,183)	12,204	12,204
Free Schools	1,205	(472)	733	733
Total	27,818	(12,870)	14,948	14,948
FINANCING SUMMARY				
Capital receipts	1,431	(128)	1,303	1,303
Specific or other funding	26,387	(12,742)	13,645	13,645
Total	27,818	(12,870)	14,948	14,948

Adult Social Care Services

Appendix 3b

ADULT SOCIAL CARE SERVICES CAPITAL PROGRAMME				
Schemes	Quarter 3 Revised Budget 2012/13	Movement	Quarter 4 Revised Budget 2012/13	2012/13 Outturn Expenditure
	£'000	£'000	£'000	£'000
Adult Social Care Grant	92	40	132	132
Hostel Improvement Grant	128	(90)	38	38
Wormwood Scrubs Prison	98	(64)	34	34
Disabled Facilities Scheme	989	(76)	913	913
Total	1,307	(190)	1,117	1,117
FINANCING SUMMARY				
Capital receipts	578	(166)	412	412
Specific or other funding	729	(24)	705	705
Total	1,307	(190)	1,117	1,117

Transport & Technical Services

Appendix 3c

TRANSPORT & TECHNICAL SERVICES CAPITAL PROGRAMME				
Schemes	Quarter 3 Revised Budget 2012/13	Movement	Quarter 4 Revised Budget 2012/13	2012/13 Outturn Expenditure
	£'000	£'000	£'000	£'000
Footways and Carriageways	2,250	145	2,395	2,395
Planned Maintenance/DDA Programme	4,021	(2,239)	1,782	1,782
River Wall Repairs	40	(40)		
Transport For London	3,702	(862)	2,840	2,840
Parking Reserve/ Revenue Contributions	319	(287)	32	32
Developer Contribution Funded	3,192	(2,418)	774	774
West London Grant	341	(279)	62	62
Other Capital Schemes	286	34	320	320
Total	14,151	(5,946)	8,205	8,205
FINANCING SUMMARY				
Capital receipts	6,311	(2,117)	4,194	4,194
Specific or other funding	7,840	(3,829)	4,011	4,011
Total	14,151	(5,946)	8,205	8,205

Finance and Corporate Services

Appendix 3d

FINANCE & CORPORATE SERVICES CAPITAL PROGRAMME				
Schemes	Quarter 3 Revised Budget 2012/13	Movement	Quarter 4 Revised Budget 2012/13	2012/13 Outturn Expenditure
	£'000	£'000	£'000	£'000
Contribution to Invest to Save Fund	2,133	(2,133)		
Total	2,133	0	0	0
FINANCING SUMMARY				
Capital receipts	2,133	(2,133)		
Total	2,133	0	0	0

ELRS CAPITAL PROGRAMME				
Schemes	Quarter 3 Revised Budget 2012/13	Movement	Quarter 4 Revised Budget 2012/13	2012/13 Outturn Expenditure
	£'000	£'000	£'000	£'000
Parks Expenditure	1,460	(325)	1,135	1,135
Bishops Park	942	(156)	786	786
Shepherds Bush Common Improvements	2,778	(484)	2,294	2,294
Recycling	81	(40)	41	41
Hammersmith Library Refurbishment	925	(913)	12	12
CCTV	717	(562)	155	155
Linford Christie Stadium Refurbishment	156	(156)		
Total	7,059	(2,636)	4,423	4,423
FINANCING SUMMARY				
Capital receipts	529	(43)	486	486
Specific or other funding	6,530	(2,593)	3,937	3,937
Total	7,059	(2,636)	4,423	4,423

Housing Capital Programme (HRA)

Appendix 5

HOUSING CAPITAL PROGRAMME (HRA)				
Schemes	Quarter 3 Revised Budget 2012/13	Movement	Quarter 4 Revised Budget 2012/13	2012/13 Outturn Expenditure
	£ '000	£ '000	£ '000	£ '000
Supply Initiatives (Major	2,710	344	3,054	3,054
Energy Schemes	786	(63)	723	723
Lift Schemes	3,152	(1,989)	1,163	1,163
Major Refurbishments	8,814	(1,597)	7,217	7,217
Preventative Planned Maintenance	2,853	(878)	1,975	1,975
Minor Programmes	7,594	(3,374)	4,220	4,220
Decent Homes Partnering	5,534	(197)	5,337	5,337
CSD/RSD Managed (Adaptations, CCTV)	1,143	(110)	1,033	1,033
Rephasing and reprogramming	(373)	373		
Total	32,213	(7,491)	24,722	24,722
FINANCING SUMMARY				
Capital Receipts	9,715	(190)	9,525	9,525
Revenue Contributions from HRA (formerly MRA)	15,201	(5,243)	9,958	9,958
Leasehold & Other External Contributions	6,544	(1,425)	5,119	5,119
Grants	753	(633)	120	120
Total	32,213	(7,491)	24,722	24,722

The Capital Financing Requirement (CFR)

Appendix 6

The CFR measures an authority's underlying need to borrow for a capital purpose. It is considered by the Chartered Institute of Public Finance Accountancy (CIPFA) as the best measure of Council debt as it reflects both external and internal borrowing.

It was introduced by the Government in 2004 and replaced the 'credit ceiling' as the Council's measure of debt.

The CFR is the difference between capital expenditure incurred and the resources set aside to pay for this expenditure. Put simply it can be thought of as capital expenditure incurred but not yet paid for in-full and serves as a measure of an authority's indebtedness.

An important caveat is that the CFR does not necessarily equal the outstanding loans of the authority. A council may be 'cash rich' and pay for a new asset in full without entering into new loans. However unless the council simultaneously sets aside reserves (either through recognising a revenue cost or transferring existing reserves from 'usable' to 'unusable' in the bottom half of the balance sheet) the CFR will increase. In this example the authority has effectively borrowed internally. **The CFR should therefore be thought of as the total of internal and external borrowing.**

The government requires the authority to set-aside annually an amount equal to 4% of CFR. This is known as the Minimum Revenue Provision (MRP).

The Council's headline CFR excludes technical adjustments relating to finance leases, PFI, historic MRP commutation, and deferred costs given these items do not give rise to a financing or MRP cost.